



U. S. Department of Housing and Urban Development
Birmingham Office
Region IV
Medical Forum Building, Suite 900
950 22nd Street, North
Birmingham, Alabama 35203-5301

JAN 13 2009

Mr. Bill Johnson
Director, Alabama Department of
Economic and Community Affairs
PO Box 5690
Montgomery, AL 36103-5690

Subject: Neighborhood Stabilization Program (NSP)
B-08-DN-01-0001
State of Alabama

Dear Mr. Johnson:

In response to your January 6, 2009, letter, we have reviewed again the state's proposed amendment to the 2008 Action Plan to include the Neighborhood Stabilization Program (NSP) funding. We also reviewed our initial evaluation of the state's NSP amendment. Our reviews, which are based on the October 6, 2008, HUD Notice for NSP, confirm that the driving factor for a jurisdiction implementing its NSP program, subsequent to its assessment of overall need, is to distribute NSP funds to the areas of greatest need. The seven "priority communities" addressed in the state's NSP amendment, based on the state's data, appear to represent the greatest need in the state.

The action plan further addresses "qualifying" communities. These communities ranked in the top 20% of all communities in the state when using the formula to determine greatest need. The formula loses some significant correlation, particularly in Columns F, G, and N, when the 30 communities are reached and appears to skew the areas of greatest need.

The state will need to revise its amendment and confirm that it chooses to fund the seven "priority communities" and eliminate funding for all other communities in the state. However, you may choose to revisit the data in the formula and provide an explanation of the data and the number of "qualifying cities and counties," in the state's NSP amendment. Although the "balance of the state" category shows some of the state's need that is described in the amendment, this category for potential NSP funding is not acceptable to include in the state's NSP amendment. The state's data for this category does not demonstrate that these are "areas of greatest need" in which to distribute NSP funds.

In order to amend the proposed amendment, please submit a letter to HUD stating which communities the state intends to target for the NSP funds. Also, for the sake of expediency, please state that each applicant will be required to target 25% of funds to those individuals whose income does not exceed 50% of Area Median Income. These changes should be placed on your website. We would like to request the state to provide us a response by January 23, 2009.

HUD's mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination.

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We appreciate all the energy and thought that has been put into the Neighborhood Stabilization Program. As you know, this is a new program which has been placed on a fast track, and there will be much give and take in order to get these funds to the people of Alabama. Should future funding be made available, it may be possible to address the state's remaining needs.

We look forward to working with you and your staff in this process. Should you have any questions, please contact Jean Bates, Senior Community Planning and Development Representative, at 205-745-4320.

Sincerely,

A handwritten signature in black ink, appearing to read "Franklin", written in a cursive style.

Charles Franklin
CPD Director

cc:
Shabbir Olia